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A PROFESSIONAL LIMITED LIABILITY COMPANY

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EXECUTIVE SECRETARY

September 20, 2000

Via Hand-Delivery

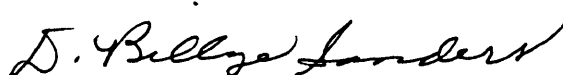
K. David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37219

Re: Application of Memphis Networx, LLC for a Certificate of Public Convenience and Necessity to Provide Intrastate Telecommunication Services and Joint Petition of Memphis Light Gas & Water Division, a Division of the City of Memphis, Tennessee ("MLGW") and A&L Networks-Tennessee, LLC ("A&L") for Approval of Agreement Between MLGW and A&L regarding Joint Ownership of Memphis Networx, LLC; Docket No.99-00909 – Filing of Documents

Dear Mr. Waddell:

Enclosed you will find the original and thirteen (13) copies of the Affidavit of Joseph Warnement. Fourteen copies of this document were filed yesterday. No changes have been made, however, the attachment to the affidavit is more legible than the previous filing, as the earlier filing was a copy of a facsimile.

Sincerely,



D. Billye Sanders
Attorney for Memphis Light Gas & Water
Division and Memphis Networx, LLC



John Knox Walkup
Wyatt, Tarrant & Combs
Attorney for Memphis Networx, LLC and
A&L Networks-Tennessee, LLC

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DBS:lmb
Enclosures

cc: Parties of Record
Charlotte Knight Griffin
Ward Huddleston

CERTIFICATE OF SERVICE

I, D. Billye Sanders, hereby certify that on this 20th day of September, 2000, a true and correct copy of the foregoing was delivered by hand delivery, facsimile, or U.S. Mail postage pre-paid to the Counsel of Record listed below.

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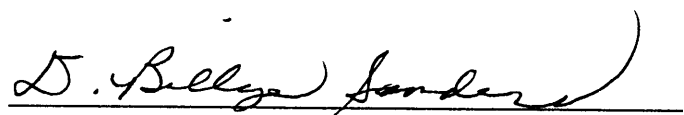
Vance Broemel, Esq.
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Attorney for NEXTLINK, Tennessee, Inc.


D. Billye Sanders

A F F I D A V I T

STATE OF California

COUNTY OF San Francisco

REC'D TN
REGULATORY AUTH.

00 SEP 20 PM 3 50

OFFICE OF THE
EXECUTIVE SECRETARY

I, Joseph Warnement, being duly sworn do hereby state the following:

1. I am a Vice President and Managing Director with A. T. Kearney. Prior to my employment with A. T. Kearney, I was a Director with Arthur D. Little. While with Arthur D. Little, I had overall responsibility for working with Alex Lowe on the early stages of what I understand has become the Memphis Networx project.

2. This Affidavit responds to the Motion to Compel filed in the Memphis Networx proceeding before the Tennessee Regulatory Authority, Docket No. 99-00909, on behalf of Time Warner Telecom of the Mid-South, L.P., Time Warner Communications of the Mid-South, L.P., and the Tennessee Cable Telecommunications Association on September 11, 2000.

3. As I understand it, there are three outstanding items, as the parties have clarified the scope of the documents sought under the Motion to Compel: (i) production of a contract, a proposal, and an invoice with respect to Arthur D. Little report referred to as "Bundled Services" (Motion to Compel, Item # 1), if any such documents exist; (ii) production of a proposal and a contract with respect to Arthur D. Little Case No. 38213-00, which was invoiced on July 28, 1998 (Motion to Compel, Item # 2), if such documents

exist; and (iii) production of a seventeen page study and a two page overview referenced in a letter dated April 17, 1998, which has been introduced and marked as Exhibit 44 in the Memphis Networx proceeding (Motion to Compel, Item #9), if such documents exist. I will collectively refer to items (i) – (iii) as the “Request.”

4. I have searched my records in an attempt to locate documents responsive to the Request, but I have been unable to locate any such documents. To my recollection, as it relates to contracts and proposals I do not recall any formal proposals or contracts being drafted or discussed between the professional staff of Arthur D. Little and employees of A&L. With regard to invoices on such activities between Arthur D. Little and A&L I do recall an initial "retainer" payment was made to Arthur D. Little without an invoice being issued to prompt the retainer payment from A&L. I have no knowledge whether any subsequent invoices were issued by Arthur D. Little to A&L on any future matters.

5. With respect to the 17 page report referenced in (iii) of Paragraph 3, although I did not retain a copy of that report, my best recollection is that this report was an Executive Briefing of a report generated by a consultant to the City of Memphis, more specifically, the Mayor of Memphis, in connection with a potential privatization of MLGW.

6. With respect to the 2 page report, I am not in possession of nor do I specifically recall forwarding a 2 page report to either Mr. Thompson at MLG&W or Mr. Lowe at A&L Underground. What I do recall is Mr. Lowe asking that I send a brief presentation document to MLG&W, the request length of "2

pages" I cannot recall, for use by the MLG&W Management in their Spring 1998 Management Retreat. I have located, and attached hereto a five-page presentation document, which I believe, was forwarded to MLG&W for their Management's use at the Spring Planning Conference. I believe my team of Consultant's at Arthur D. Little produced this document as a response to Mr. Lowe's request for a brief overview to be provided to MLG&W's Management. The attached document was produced on or about April 22, 1998.

7. I have not intentionally removed, destroyed or transferred any documents that would be responsive to the Request in order to avoid their production.

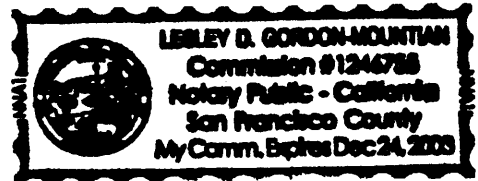
FURTHER AFFIANT SAITH NOT.

Joseph L. Warnement
Joseph Warnement

2000. SWORN TO AND SUBSCRIBED before me this 18TH day of ~~SEPTEMBER~~

Lesley D. Gordon-Mountain
NOTARY PUBLIC

My Commission Expires: DEC. 24, 2003



The advent of deregulation and technology advancements have rapidly increased the interest in “at” and “behind-the-meter” premise services.

- The “second-wave” of premise-based services demand requires a lower overall cost structure
 - Internet access
 - Security monitoring
 - Energy management
 - Videotext programming (Cable TV)
 - Enhanced telephony services
- The current networks (providers and physical assets) do not support multiple providers of “service bundling.”
- There are numerous “end-use”/retail service providers but very few (currently monopolies) fully-integrated providers.
- No enterprise has taken the “high ground” as a central “wires” or “access” provider facilitating advanced service bundling.

A major limitation is an aged, “upstream” communications network which cannot be cost-effectively replaced by one single monopoly-like supplier.

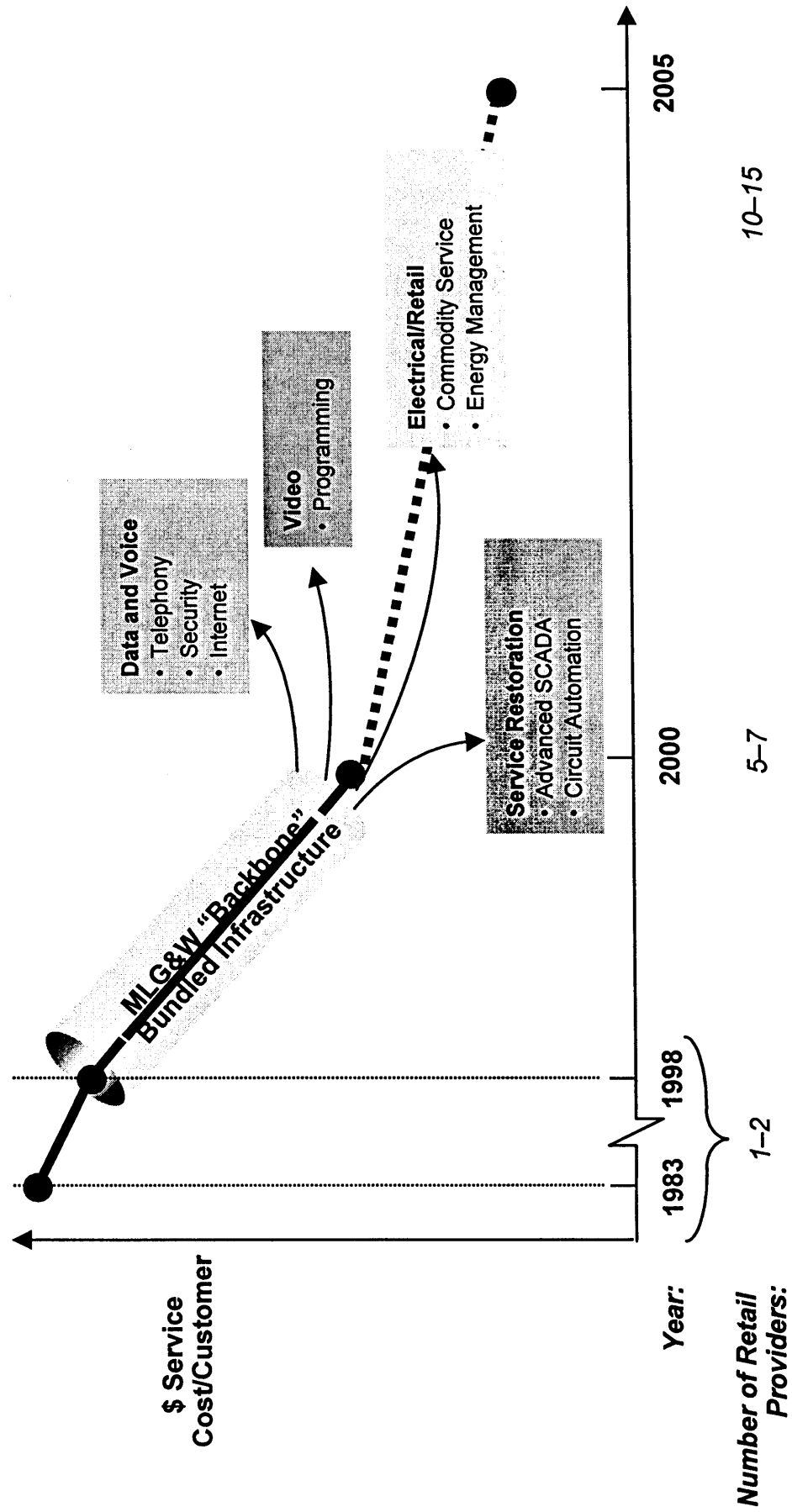
Electric, gas and water utilities (public and private) are beginning to understand their natural role in extending "infrastructure services" across previously rigid industry "boundaries."

- Lesser viable networks/services are being provided by MUNIs in:
 - Tacoma, WA
 - Owensboro, KY
 - Anaheim, CA
 - Indianoco, IA
 - MEAG (GA Munis)
 - Holland, MI
 - Glasgow, KY
- Large IOU Utilities are beginning to deliberately offer "excess capacity" (80%+ of assets) to retailers of services in "blanket" contracts covering entire service territories.
 - Variety of assets, network servicing, and capital arrangements are being offered
- Added utility revenue and improved utility infrastructure is lowering cost and improving service to the Utility's current ratepayers
- Federal and state "authorities" are highly supportive of this concept

Utilities are beginning to maximize the value of these assets and services by taking royalties/equity in the new ventures.

'98 Spring Planning Conference

The strongest link to “unleash” competition, lower costs, and expand retail services is the availability and free access to a “wholesale” advanced network for all retail competition to access.





MLG&W has been discussing with multiple vendors its ability to offer enhanced services to the premise at lower costs than current service offerings.

Enterprise Management

ROW/Access
Permits
Pole
Attachments
Channeling

Structure
Infrastructure
Wire
Cable
Conduit

Switching and
Facilities
Facility Access
Digital
Switching
Circuit
Automation
Equipment

Service
Delivery and
Support
Field O&M
Head-End
Equipment
O&M

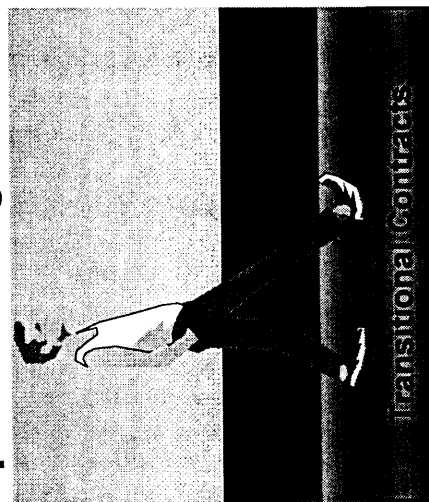
Marketing
Pricing
Saturation
Inquiry
Management

Receivables
Management
Billing
Credit
Collections

Wholesale ("Carrier's Carrier") Versus Retail (Behind-The-Meter)?

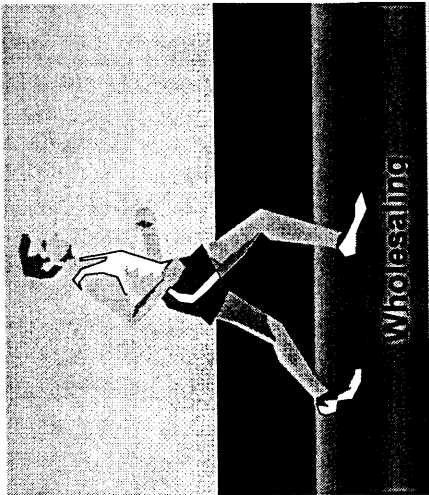
MLG&W has the ability to participate in any and all of the segments with assets, service—and potentially—capital. MLG&W expects to make significant progress in determining its advancement in these areas in the very near future.

MLG&W can progress into three levels of advanced service provisioning. Each level has very discernible risks and returns.



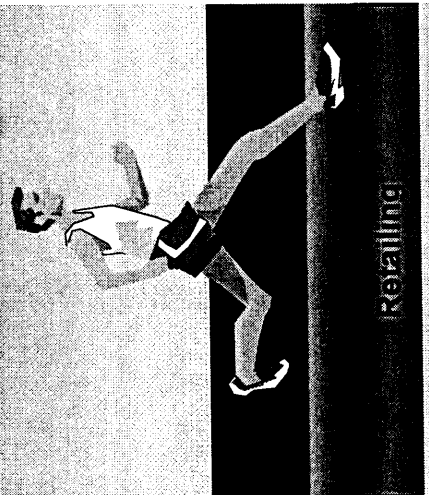
Transitional contracts

- Specific ROW made available
- Capital spent only for internal service
- Circuit-by-circuit build-out



Wholesaling

- System-wide ROW accessed
- 800–1,000 miles of ROW developed for Memphis advanced backbone
- Wholesaler of assets and service to retailers of service
- Facilitate all qualified providers of retail service



Retailing

- Full-service provisioning
 - Backbone infrastructure
 - Retail marketing
 - Service provisioning
 - Retail collections
- Franchise redefined

Risk

- Minimal capital
- Business extension
- Small enterprise growth

- Modest capital
- Strong public policy strategy
- Related—but strong—business extension

- Large capital requirement/risk
- High public policy risk
- Uncertain public support
- LEC and cable TV legal challenges